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August 7, 1990

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CWSIWG CASE 305 10 AUGUST 1990

041031Z AUG 90

FM AMEMBASSY MADRID

C O N F I D E N T I A L MADRID 09081

SUBJECT: TFKU01: IRAQ SEEKING TO BUY ARTILLERY PLANT FROM SPAIN

REF: MADRID 9046 (DTG 031633Z AUG 90) - IIR 6889030790

1. (U) A SPANISH NEWSPAPER REPORTED ON AUGUST 3 THAT IRAQ HAD INVITED THE SPANISH FIRM FORJAS EXTRUIDAS (FOREX) TO SUPPLY A FACTORY FOR THE PRODUCTION OF ARTILLERY SHELLS. THE DATE OF THE REQUEST WAS NOT MENTIONED.

2. (U) THE ARTICLE IN EL PAIS SAYS THAT, ACCORDING TO A SPOKESMAN FOR FOREX, THE COMPANY BROUGHT THE IRAQI REQUEST TO THE ATTENTION OF THE SPANISH GOVERNMENT AS A PRELIMINARY STEP BEFORE UNDERTAKING NEGOTIATIONS WITH IRAQ. ACCORDING TO THE SPOKESMAN, THE COMPANY HAD RECEIVED NO REPLY FROM THE GOVERNMENT.

3. (U) EL PAIS NOTES THAT THE PRESIDENT OF FOREX, ANGEL ARANZABAL ACHAERANDIO, IS ALSO THE PRESIDENT OF TREBALAN, SA, WHICH LAST YEAR SUPPLIED TO IRAQ ARTILLERY SHELLS CAPABLE OF DELIVERING CHEMICAL WEAPONS. THE SPANISH GOVERNMENT LICENSED THAT SALE ON CONDITION THAT THE SHELLS WERE FILLED WITH CONVENTIONAL MUNITIONS, BUT "GOVERNMENT SOURCES" SUSPECT THAT SOME WERE SHIPPED EMPTY, ACCORDING TO EL PAIS.

4. (U) EL PAIS NOTES THAT THE SPANISH EMBARGO ON ARMS SALES TO IRAN AND IRAQ WAS LIFTED AT THE END OF 1988, BUT SAYS THAT "THIS SITUATION COULD CHANGE NOW AS A CONSEQUENCE OF THE INVASION OF KUWAIT BY THE SADAM HUSSEIN REGIME."

5. (C) COMMENT. IT APPEARS THAT THE IRAQI REQUEST FOR THIS FACTORY PRECEDED THE INVASION OF KUWAIT AND THAT THE APPEARANCE OF THE ARTICLE AT THIS TIME IS COINCIDENTAL. THERE IS LITTLE LIKELIHOOD THAT THE SPANISH GOVERNMENT WOULD APPROVE THIS SALE UNDER CURRENT CIRCUMSTANCES. WE HAVE URGED SPANISH OFFICIALS TO EMBARGO ARMS SALES TO IRAQ AS A RESULT OF THE INVASION AND EXPECT SPAIN TO ACT IN CONCERT WITH ITS EC PARTNERS. CASEY

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DAK 4/5/92